

Robert Hull
Director – Transmission
9 Millbank
London
SW1P 3GE

20th July 2007

Dear Robert,

Connecting the Islands of Scotland – Ofgem Open Letter 5 June 2007

British Energy (BE) welcomes the opportunity to comment on the above open letter. BE is the UK's largest generator of electricity. We own and operate eight nuclear power stations as well as Eggborough Power Station (a large coal plant with two units fitted with FGD) and four small embedded gas generator sites. Two of our nuclear stations are located in Scotland accounting for approximately 2400MW of capacity. We also have interests through a joint venture in developing a large island windfarm in Scotland.

BE acknowledge that the issues surrounding the connection of the Islands of Scotland are complex and that issues are still in their infancy. We are therefore pleased that progress is being made to develop a framework. We strongly agree with Ofgem that connections should be done competitively and as economically as possible to ensure that the customer does not pay more than necessary.

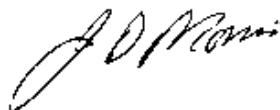
Therefore, of the options outlined in the document BE would favour either option C Tendering the right to build a connection and obtain a regulated revenue or option B Merchant approaches. Either option should lead to lower costs which will in turn lead to lower transmission charges which will be of benefit to the industry as a whole. Retaining both options provides maximum flexibility of approach and this in turn could result in quicker provision of island connections than having only one methodology.

There are similarities between connecting the Scottish Islands and how Offshore Wind is connected in the case of option C, therefore we believe that there may be advantages in having similar procedures for both.

We do not believe that there is any advantage in applying the existing regulatory framework. Due to the cost of connecting island generation there needs to be competition to allow the most cost effective connections to proceed.

We hope that these comments are of some help and if you wish to discuss these matters further please do not hesitate to contact myself or Rachel Lockley.

Yours Sincerely



John D Morris
Senior Trading Consultant
British Energy Power and Energy Trading